

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7776

BILL NUMBER: SB 564

DATE PREPARED: Jan 12, 1999

BILL AMENDED:

SUBJECT: Family College Savings Plan Matching Grants.

FISCAL ANALYST: David Hoppmann

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FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues			
State Expenditures	373,300	250,000	250,000
Net Increase (Decrease)	(373,300)	(250,000)	(250,000)

Summary of Legislation: This bill would provide a one time matching grant for family college savings deposits made in CY 1999 into the Indiana Family College Savings Trust Fund (the Fund) via a dependent's individual trust account, and for deposits made in the year that the applicant opens a dependent's individual trust account for years beginning after December 31, 1999.

It would require that the matching grant be equal to the lesser of: (1) 10% of the aggregate of the family college savings deposited by the applicant for the applicant's dependent; or (2) \$100 per dependent. It would also require that the matching grant be deposited into the individual trust account in which the applicant made a deposit for a dependent by the Indiana Education Savings Authority (the Authority).

It would require that the amount of the matching grant only be used for allowable purposes of the Fund, and that all deposits be exempt from state taxes.

Effective Date: January 1, 1999 (retroactive).

Explanation of State Expenditures: There would be some administrative costs for the Authority to implement the provisions of this bill. The Authority would be directed to deposit matching grants into individual trust accounts of dependents in which taxpayers made a deposit of family college savings.

There would also be some indeterminable administrative costs to the Indiana Commission for Higher Education (ICHE) and to the contractor of the Fund.

This bill would provide a one time matching grant to a taxpayer who makes a deposit into the Fund's individual trust account for the taxpayer's dependent in CY 1999, and for deposits made in the year that the applicant opens a dependent's individual trust account for years beginning after December 31, 1999. The amount of the one time matching grants would be equal to the lesser of 10% of the aggregate deposit or \$100 per dependent. In general, this bill would provide a matching grant of \$100 to taxpayers who deposit \$1000 into a dependent's individual trust account of the Fund.

Matching grants would be deposited into the Fund's individual trust account by the Authority. If withdrawals of matching grant monies are made on an individual trust account, and are not used in conformity with the purposes of the Fund, the taxpayer would be subject to a penalty in accordance with rules adopted by the Authority.

NEW ACCOUNT PROJECTIONS

Based on an ICHE analysis of other college savings programs in the country, it is estimated that Indiana's program (with a 10%; \$100 maximum per year incentive) will take approximately four years before it reaches its maximum participation of approximately 1,500 new accounts each year. To date, there has been a total of approximately 2,500 accounts established for the Fund. Of this amount, 607 were established in CY 1997, and 1,893 were established in CY 1998.

Based on the assumption that the number of new accounts would increase by 2,500 in CY 1999, 2,500 in CY 2000, 2,500 in CY 2001 and then remain constant at approximately 1,500 new accounts beginning in CY 2002 and thereafter, approximately \$373,300 could be deposited into the Fund's individual trust accounts during FY 1999, and approximately \$250,000 could be deposited into the Fund's individual trust accounts annually during FY 2000 and FY 2001 for new accounts in the Fund. This assumes that the maximum contribution will be made to generate the maximum matching grant.

ICHE's analysis includes all kindergarten to 12th grade students, assumes the maximum grant, adjusts for accounts abandoned or terminated early but does not account for any recaptured credits.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Commission on Higher Education.

Local Agencies Affected:

Information Sources: Kent Weldon, Indiana Commission on Higher Education (464-4400).